



Comhairle Cathrach
& Contae **Luimnigh**

Limerick City
& County Council

Roinn Airgeadais
Comhairle Cathrach agus Contae Luimnigh
Ceanncheathrú Chorpáraideach
Cé n gCeannaithe
Luimneach

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21st September 2020

To: The Mayor and Each Member of Limerick City and County Council

Re: Local Property Tax – Local Adjustment Factor 2021

The authority to vary the base rate of Local Property Tax (LPT) is prescribed in the **Finance (Local Property Tax) Act, 2012** as amended by **Finance (Local Property Tax) (Amendment) Act, 2013**. Section 20 of the Act states that:

"a local authority may pass a resolution that the basic rate should for a period specified in the resolution and with effect from the date specified in section 21(2) stands varied (either upwards or downwards) by a specified percentage in respect of relevant residential properties situated in the local authority's functional area"

The percentage specified in the resolution under section 20 as the percentage by which the basic rate should be varied is referred to as the "**local adjustment factor**". The Local Adjustment Factor is not permitted to exceed 15%.

In addition, Local Authorities must undergo a public consultation process with the citizens in its functional area in relation to its consideration of the setting of a Local Adjustment Factor and a report summarising the submissions from the public must be prepared.

Any decision by a local authority to vary the basic rate of LPT must be taken before the 30 September each year in order that it can have effect from 1 November (the liability date) and therefore determine the LPT liability for taxpayers the following year.

Section 20(2) of the Act, sets out a number of factors which the members shall have regard to in making a decision of whether or not to vary the base rate of LPT. These

factors are set out in more detail, and in prescribed formats in, the Local Property Tax (Local Adjustment Factor) Regulations 2014.

The Factors to be considered are:

1. Estimation of Income and Expenditure for the period during which the rate is to be varied.
2. The financial position of the Local Authority.
3. The local authority's estimation of the financial effect of the Local Property Tax varied rate on the economy of its functional area, including on those persons who will be liable to pay local property tax.
4. Report on Public Submissions.
5. Potential Impact on Service Delivery Plans of Local Authority.

1. ESTIMATION OF INCOME AND EXPENDITURE

SCHEDULE 1- ESTIMATION OF INCOME AND EXPENDITURE OF LIMERICK CITY AND COUNTY COUNCIL

	Budget 2020	Budget 2021
	€	€
INCOME		
Commercial Rates/NPPR	58,567,823	58,817,823
Local Property Tax *	19,914,250	19,944,377
Grants and Subsidies	540,580,842	508,766,694
Other income	206,345,349	197,471,106
Total Income	825,408,264	785,000,000
EXPENDITURE		
Payroll Expenses	83,882,651	85,560,304
Loan interest and Principal repaid	6,183,826	7,453,747
Social Benefits (transfer payments to households)	10,203,900	10,939,152
Capital Grants Paid	1,270,000	1,270,000
Other Expenditure	723,867,887	679,776,797
Total Expenditure	825,408,264	785,000,000

It must be noted that the above projections for 2021 have been prepared with limited information on a number of critical parameters that will inform the preparation of a realistic budget for 2021 including:

- a. How the public health emergency will impact on the outturns for 2020

- b. What level of government funding support will be provided for 2020 or 2021 in respect of additional expenditure and lost income associated with the Covid pandemic.
- c. Details of other central funding including FEMPI compensation

As a result, there is a high probability that there will be fluctuations in the figures presented here and the final budget that will be presented to the council at the Statutory Budget Meeting.

There will be significant pressures on local sources of income such as Commercial Rates Income and Goods & Services Income because of the Covid Pandemic. Also, it is estimated that there will be additional costs directly related to the Pandemic which will need to be budgeted for.

Included in the above figures we have identified excess expenditure over income required for Budget 2021, compared to 2020. We have balanced the Budget 2021 estimation on the proviso that expenditure will have to match income and this shortfall will be addressed during the Budget 2021 review and adoption process.

2. FINANCIAL POSITION

A summary of the Financial Position of Limerick City and County Council as at 30th June 2020 is set out in the table below:

SCHEDULE 2 FINANCIAL POSITION OF LIMERICK CITY AND COUNTY COUNCIL

	As at 30 June 2020
ASSETS	€
Current assets (including cash and investments)	130,871,755
General revenue reserve (if surplus)	896,297
Loans Receivable	73,282,169
	205,050,221
LIABILITIES	
Current liabilities (including overdraft)	73,364,839
General revenue reserve (if deficit)	
Loans payable:	
Voluntary housing/Mortgage Loans/L2030	68,351,179
Non mortgage loans	22,527,236
	164,243,254
INDICATORS	
Ratio of loans payable to revenue income	12%
Ratio of current assets to current liabilities	1.78:1

The General Revenue Reserve as at the end of December 2019 was a surplus of €833,703, and for the 6 months January to June 2020, Limerick City and County Council reported a revenue surplus of €62,594 resulting in a general revenue reserve surplus of €896,297 at 30th June 2020.

3. FINANCIAL EFFECT ON LOCAL ECONOMY

The base rate for LPT is 0.18% of the valuation of the property. Property is valued in bands and is set out below:

Valuation Band €	Mid Point €	LPT @0.18% €
0 - 100,000	50,000	90
100,001 - 150,000	125,000	225
150,001 - 200,000	175,000	315
200,001 - 250,000	225,000	405
250,001 - 300,000	275,000	495
300,001 - 350,000	325,000	585
350,001 - 400,000	375,000	675
400,001 - 450,000	425,000	765
450,001 - 500,000	475,000	855
500,001 - 550,000	525,000	945
550,001 - 600,000	575,000	1,035
600,001 - 650,000	625,000	1,125
650,001 - 700,000	675,000	1,215
700,001 - 750,000	725,000	1,305
750,001 - 800,000	775,000	1,395
800,001 - 850,000	825,000	1,485
850,001 - 900,000	875,000	1,575
900,001 - 950,000	925,000	1,665
950,001 - 1,000,000	975,000	1,755

Properties valued in excess of €1million are charged at a rate of 0.18% on €1million plus 0.25% on the value in excess of €1million.

The effect of varying the base rate by 1% would result in a change of €0.90 for the lowest valuation band and €17.55 for the highest band. Full details of the effect of a 1% variation are set out below:

Valuation Band €	1% Variation €
0 - 100,000	0.90
100,001 - 150,000	2.25
150,001 - 200,000	3.15
200,001 - 250,000	4.05
250,001 - 300,000	4.95
300,001 - 350,000	5.85
350,001 - 400,000	6.75
400,001 - 450,000	7.65
450,001 - 500,000	8.55
500,001 - 550,000	9.45
550,001 - 600,000	10.35
600,001 - 650,000	11.25
650,001 - 700,000	12.15
700,001 - 750,000	13.05
750,001 - 800,000	13.95
800,001 - 850,000	14.85
850,001 - 900,000	15.75
900,001 - 950,000	16.65
950,001 - 1,000,000	17.55

Circular Fin 12/2020, provided information in relation to property valuation bands for each local authority area from the Revenue Commissioners. The data provided represents valuation bands based on property values as at the 1 May 2013 valuation date.

LPT Valuation Bands	0- €100,000	€100,001 to €150,000	€150,001 to €200,000	€200,001 to €250,000	€250,001 to €300,000	Over €300,000
Limerick	36.5%	32%	21.1%	6.0%	2.4%	2.0%

88% of the Limerick population with a max + / - 15% local adjustment factor would experience a difference of between €1.13 and €3.94 per month.

Every local authority has the power, from 1 July 2014, to vary the basic rate of LPT by up to 15%. It should be noted that if Limerick City & County Council decides to vary the LPT basic rate upwards (by up to 15%) in 2021, it will retain 100% of the resultant additional income collected in the local authority area. Similarly, if Limerick City and County Council decides to vary the LPT basic rate downwards (by up to 15%) in 2021, the resultant loss in LPT income will be reflected in reduced LPT funding to the authority. No additional funding from the equalisation fund will be provided

For Budget 2020, Limerick City & County Council decided to adjust the LPT Rate upwards by 15% equating to an increase of €2.36m.

The 2021 allocation from the Local Property Tax and the basis of this allocation is set out in the table below:

Limerick City & County Council — 2021 LPT Allocation (pending any decision to vary the basic rate)

LPT 100%	<u>€15,932,749</u>
LPT 20% to Equalisation Fund	<u>€ 3,186,550</u>
2021 LPT Baseline	€17,554,464
LPT retained locally (80%)	<u>€12,746,199</u>
2021 Shortfall	-€4,808,265
Distribution of Equalisation Fund	€4,808,265
LPT Allocation 2021	<u>€17,554,464</u>

Any 1% increase or decrease in 2021 LPT allocation is valued at €159,327

The value of a potential increase or decrease in 2021 LPT allocation if maximum variation of 15% implemented by Limerick City and County Council is €2,389,912.

4. REPORT ON PUBLIC SUBMISSIONS

Three submissions from the public were received as follows:

No of valid submissions received:	3
No of submissions requesting a decrease :	2
No of submissions requesting an increase :	0
No of submissions requesting no change :	1

5. POTENTIAL IMPACT ON SERVICE DELIVERY PLANS OF LOCAL AUTHORITY

Based on Preliminary projections for Budget 2021, the Council has additional unfunded demands.

The main items contributing to this on the income side are

- Limited Commercial Rates buoyancy
- impact of Covid-19 & Brexit on collections
- continued appeals to the revaluation process

On the expenditures side, the following are the main increases

- loan charges
- insurance
- payroll expenses
- Covid-19

The impact of every 1% increase in the rate of LPT is €159,327.

The above Income & Expenditure figures for 2021 have been based on a 15% upwards variation on the LPT baseline which in effect means no change on the 2020 LPT Charge



Sean Coughlan
Director of Support Services
Finance, HR, ICT and Corporate